

**Written evidence from Henry Carr QC, Chairman, Intellectual Property Bar  
Association**

**Evidence in Writing for the European Scrutiny Committee: Draft Agreement and  
Regulation on a Unified Patents Court**

*Introduction*

1. At present, European Patents are granted by the European Patent Office in Munich. The patentee is granted a basket of rights which can apply throughout Europe. However, in order to enforce those rights, the patentee has to sue in the national courts of different member states, which is costly and can lead to inconsistent results. For this reason, the *theory* of a Unified Patents Court has long been thought desirable.
2. However, the *practical application*, as expressed in the current draft Agreement and Regulation, has highly detrimental consequences. It is being rushed through, in spite of widespread opposition from the IP judges, the patent professions and industry.
3. The Council of Bars and Law Societies of Europe (“CCBE”) is the representative organization of about one million lawyers. The Report of its Working Group on Patents dated 12<sup>th</sup> December 2011, in relation to the Unified Patents Court, states that:-

“It is apparent that the proposed Court system will not meet the goals of being accessible and affordable, especially for SMEs. The CCBE finds that the proposed system, as the proposal stands, will increase legal uncertainty and increase cost.  
The CCBE is concerned that speed is now an overriding purpose carrying with it the risk that the result will be a system which users will refuse to accept. “
4. Similar concerns were expressed by the CBI, the IP Federation, the Bioindustry Association and others (including the Intellectual Property Bar Association) in a letter to Baroness Wilcox dated 16th December 2011. Whilst expressing the hope

that it should be possible to finalise the project under the Danish Presidency “with calm and thoughtful discussion”, the letter expresses great concern that “the pressure to reach an agreement quickly will result in a system which could undermine innovation and growth”.

5. The main problems are as follows.

*References to the Court of Justice of the EU (“the CJEU”)*

6. Articles 6-8 of the proposed Regulation contain provisions on direct and indirect infringement and limitations on such rights. This means that their interpretation will be subject to the preliminary ruling jurisdiction of the CJEU.
7. This is notoriously slow. It means that patent disputes will not be able to be resolved until the ruling has been obtained, which will add years to the proceedings, as well as additional costs. Further, the CJEU has no expertise in patent law and its procedures are not appropriate for cases involving complex technical subject matter.
8. At a general meeting of the Intellectual Property Judges Association on the 28<sup>th</sup>-29<sup>th</sup> October 2011, the Judges *unanimously* resolved that:

“they were against the proposed inclusion of Arts. 6-8 of the current draft Regulation into the final Regulation and that if they were included the new system would fail to achieve the object of a better system of patent litigation in Europe.”

There were 27 Judges present, of whom 24 were from EU member states.

9. In a Report dated 1 September/18 October 2011, Professor Rudolf Krasser of the influential Max Planck Institute gave examples of numerous questions that might require a reference to the CJEU and stated that the inclusion of Arts. 6-8 would:

“...lead to delays in the proceedings as well as additional cost and effort for the parties involved, thereby seriously counteracting the objectives of the

enhanced co-operation. Similarly, the effects on the field of patent law would run contrary to the objective...of the rapid and effective enforcement of intellectual property rights.”

10. In an Opinion dated 2<sup>nd</sup> November 2011, Professor Sir Robin Jacob, who has unrivalled expertise in intellectual property, stated:-

“There is no time for anything other than plain speaking. I am fortunate enough to have had wide experience, as barrister, judge and now academic, with the patent system from all angles. I have many contacts amongst users and lawyers. I know of no one in favour of involvement of the CJEU in patent litigation. On the contrary, all users, lawyers and judges are unanimously against it.”

In a further Opinion he explained that the inclusion of Arts. 6-8 was unnecessary.

11. However, the Commission is not listening, and is ploughing on regardless. Furthermore, the Legal Affairs Committee of the European Parliament is also pressing on with Arts. 6-8. These Articles are likely to be contained in the Regulation, given that the major political groups are backing it, without any regard to its implications.

#### *Separation of Infringement and Validity*

12. In an action for infringement, the validity of a patent may be challenged, for example on the basis that it lacks novelty or contains no inventive step. Invalidity is a defence to an action for infringement.
13. In the UK, validity and infringement are normally tried together. However, in Germany, they are separated, with the question of infringement being decided first. This is known as “bifurcation”. Moreover in Germany an injunction may be granted after the question of infringement has been decided but before the issue of validity has been determined.
14. Because of the haste with which this proposal is being pushed through, the issue of bifurcation has been fudged by providing that the proposed Unified Patents Court

has a discretion to bifurcate in any particular case, but with no guidance as to how that discretion should be exercised.

15. In cases where the court exercises its discretion in favour of bifurcation, this again will be a potential disaster for industry. An injunction may be granted after the question of infringement has been decided which applies to many countries in Europe. Years later, the Court may decide that the patent is invalid and that the injunction ought never to have been granted at all. This does not promote innovation. On the contrary, it restricts competition without any justification.

#### *Effect on SMEs*

16. The current proposal is to have a Central Division, the location of which is yet to be determined, as well as Local Divisions in different Member States. A Regional Division may also be set up for two or more States upon their request. Each panel of each Division will have three judges.
17. The relationship between Local and Regional Divisions and the Central Division is far from clear. It may be that cases where validity is challenged will have to be sent to the Central Division, which is likely to be almost all cases.
18. This complex structure is likely to be far more costly and burdensome for SMEs than the existing system in the UK. A UK SME engaged in cross-border trade may also be required to defend itself against a pan-European injunction for patent infringement in the language of the Court chosen by the patentee.
19. Furthermore, how the Court will be funded is highly speculative, and is likely to result in significant additional costs being passed on to the parties. The CCBE report concludes at paragraph 5 that:-

“The costs uncertainties are significant. ...Figures that have been presented are on such levels that SMEs (and others) will likely end up with higher costs than in single national proceedings...The financial risk for SMEs to litigate in the proposed Court is therefore significant and probably in many cases not acceptable.”

20. The Patents County Court (“PCC”) has procedures and a costs regime specifically designed for SMEs and is currently working well. After a transitional period, the current proposal gives exclusive jurisdiction to the Unified Patents Court, even in respect of existing European Patents, and so will exclude the PCC.

*The absence of suitable judges*

21. Art. 10(1) of the draft agreement requires that the judges of the Unified Patents Court shall “ensure the highest standards of competence and proven experience in the field of patent litigation.” Pursuant to Art. 6, each panel must have a multinational composition. The Commission estimates that by 2022, when the transitional period ends, 101 full time and 45 part time judges will be required.
22. Patent expertise varies greatly between member states. In some countries, such as the UK, Germany and the Netherlands, there are many patent cases. In others, such as the Eastern European countries, there are very few.
23. Therefore the requirement for multinational panels of judges possessing the highest standards of competence in patent litigation is a pipe-dream. The quality of justice administered by any court is dependent on the expertise of its judges. It will be impossible to train such a large number of judges, who do not have the relevant experience, to an acceptable standard.

*Uncertainty as to the procedural rules*

24. It is foreseeable that the agreement will be forced through before procedural rules have been agreed. A current (un-agreed) draft of the rules is immensely complex, containing over 200 provisions. Yet none of the existing documents even address fundamental questions, such as third party liability for patent infringement (accessory liability), legal professional privilege etc. Principles will have to be developed from scratch through case law of the new Court, a process which will be unpredictable and expensive.

### *Uncertainty as to location of the Central Division*

25. There is disagreement as to where the Central Division should be located. Germany, France and the UK are all bidding for it. If the Central Division is located outside the UK, there will be far less requirement for the high level of patent expertise that currently exists in this country. The location of the Central Division is crucial, as it will inevitably have significant influence on the practice and procedures of the Court.

### *Conclusion*

26. The purpose of this evidence is to highlight fundamental issues with the existing proposal. However, it appears that the train has left the station and is not stopping. If the UK opts out, then it may be marginalised, as once the Court has been established, industry will require that it works. Intellectual Property is crucial to the UK.
27. A Unified Patents Court, if properly thought out, would be of great benefit to industry. But it should not have 'Divisions', only a single Court with a central registry which sits wherever is best for the case, using the language(s) appropriate or convenient for the parties, and with experienced judges.
28. If this is not possible, then we urge the Government to continue to press for the Central Division to be located in the UK, and to work with others to avoid the most serious consequences discussed above.

*20 January 2012*